SAIA INC
Form 10-K
February 25, 2010

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from to

Commission file number: 0-49983
Saia, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**48-1229851**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
11465 Johns Creek Parkway, Suite 400 Johns Creek, Georgia	**30097**
(Address of Principal Executive Offices)	*(Zip Code)*

(770) 232-5067
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	**Names of Each Exchange on Which Registered**
Common Stock, par value $.001 per share	The Nasdaq National Market
Preferred Stock Purchase Rights	The Nasdaq National Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.45 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of June 30, 2009, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $236,629,158 based on the last reported sales price of the common stock as reported on the National Association of Securities Dealers Automated Quotation System National Market System. The number of shares of Common Stock outstanding as of February 24, 2010 was 15,867,280.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement to be filed within 120 days of December 31, 2009, pursuant to Regulation 14A under the Securities Exchange Act of 1934 for the Annual Meeting of Shareholders to be held April 27, 2010 have been incorporated by reference into Part III of this Form 10-K.

SAIA, INC. AND SUBSIDIARY

INDEX

EXHIBITS

Table of Contents

PART I.

Item 1. *Business*

Overview

Saia, Inc. and subsidiary (Saia or the Company) is a leading asset-based trucking company that provides a variety of transportation and supply chain solutions to a broad range of industries, including the retail, chemical and manufacturing industries.

We were organized in 2000 as a wholly owned subsidiary of Yellow Corporation, now known as YRC Worldwide, (Yellow) to better manage its regional transportation business. We became an independent public company on September 30, 2002 as a result of a 100 percent tax-free distribution of shares to Yellow shareholders (the Spin-off). Each Yellow shareholder received one share of Saia stock for every two shares of Yellow stock held as of the September 3, 2002 record date. As a result of the Spin-off, Yellow does not own any shares of our capital stock.

On June 30, 2006, the Company completed the sale of the outstanding stock of Jevic Transportation, Inc. (Jevic), its hybrid less-than-truckload (LTL) and truckload (TL) carrier business to a private investment firm. The transaction included net cash proceeds of $41.3 million and $12.5 million in income tax benefits from structuring the transaction as an asset sale for tax purposes. Jevic has been reflected as a discontinued operation in the Company s consolidated financial statements for all periods presented.

We are now a single segment company with one operating subsidiary, Saia Motor Freight Line, LLC (Saia Motor Freight). We serve a wide variety of customers by offering regional and interregional LTL, guaranteed and expedited services. None of our approximately 7,200 employees is represented by a union. In 2009, Saia generated revenue of $849.1 million and operating loss of $3.7 million from continuing operations. In 2008, Saia generated revenue of $1.0 billion and operating loss of $9.9 million from continuing operations, which includes a $35.5 million non-cash goodwill impairment charge.

Saia Motor Freight

Founded in 1924, Saia Motor Freight is a leading multi-regional LTL carrier that serves 34 states in the South, Southwest, Midwest, Pacific Northwest and West. Saia Motor Freight specializes in offering its customers a range of regional and interregional LTL services including time-definite and expedited options. Saia Motor Freight primarily provides its customers with solutions for shipments between 100 and 10,000 pounds, but also provides selected guaranteed, expedited and truckload service.

Saia Motor Freight has invested substantially in technology, training and business processes to enhance its ability to monitor and manage customer service, operations and profitability. These data capabilities enable Saia Motor Freight to provide its trademarked Customer Service Indicators® program, allowing customers to monitor service performance on a wide array of attributes. Customers can access the information via the Internet (www.saia.com) to help manage their shipments. The Customer Service Indicators® (CSIs) measure the following: on-time pickup; on-time delivery; claim free shipments; claims settled within 30 days; proof of delivery request turnaround; and invoicing accuracy. The CSIs provide both Saia Motor Freight and the customer with a report card of overall service levels.

As of December 31, 2009, Saia Motor Freight operated a network comprised of 147 service facilities. In 2009, the average Saia Motor Freight shipment weighed approximately 1,258 pounds and traveled an average distance of approximately 715 miles. In March 2001, Saia Motor Freight completed its integration of WestEx and Action Express affiliates into its operations and expanded its geographic reach to 21 states. On February 16, 2004, Saia Motor Freight acquired Clark Bros. Transfer, Inc. (Clark Bros.), a Midwestern LTL carrier serving 11 states with approximately 600 employees. The operations of Clark Bros. were integrated into Saia Motor Freight in May 2004 bringing the benefits of Saia Motor Freight transportation service to major Midwestern markets including Chicago, Minneapolis, St. Louis and Kansas City. On November 18, 2006, Saia Motor Freight acquired The Connection Company (the Connection), an LTL carrier serving four states (Indiana, Kentucky, Michigan, and Ohio) with approximately 700 employees. The operations of the Connection were integrated into Saia Motor Freight in

Table of Contents

February 2007. On February 1, 2007, Saia Motor Freight acquired Madison Freight Systems, Inc. (Madison Freight), an LTL carrier serving all of Wisconsin and parts of Illinois and Minnesota with approximately 200 employees. The operations of Madison Freight were integrated into the Saia Motor Freight network in March 2007.

Industry

The trucking industry consists of three segments including private fleets and two for-hire carrier groups. The private carrier segment consists of fleets owned and operated by shippers who move their own goods. The two for-hire carrier groups, TL and LTL, are based on the typical shipment sizes handled by transportation service companies. TL refers to providers generally transporting shipments greater than 10,000 pounds and LTL refers to providers generally transporting shipments less than 10,000 pounds. Saia is primarily an LTL carrier.

LTL transportation providers consolidate numerous orders, generally ranging from 100 to 10,000 pounds, from businesses in different locations. Orders are consolidated at individual locations within a certain radius from service facilities and then transported from the service facilities to the ultimate destination. As a result, LTL carriers require expansive networks of pickup and delivery operations around local service facilities and shipments are moved between origin and destination often through an intermediate distribution or breakbulk facility. Depending on the distance shipped, the LTL segment historically was classified into three subgroups:

Regional Average distance is typically less than 500 miles with a focus on one- and two-day markets. Regional transportation companies can move shipments directly to their respective destination centers which increases service reliability and avoids costs associated with intermediate handling.

Interregional Average distance is usually between 500 and 1,500 miles with a focus on serving two- and three-day markets.

National Average distance is typically in excess of 1,500 miles with a focus on service in three- to five-day markets. National providers rely on intermediate shipment handling through hub and spoke networks, which require numerous satellite service facilities, multiple distribution facilities and a relay network. To gain service and cost advantages, they occasionally ship directly between service facilities reducing intermediate handling.

Over the last several years, there has been a blurring of the above subgroups as individual companies are increasingly attempting to serve multiple markets. For example, a number of companies are focusing on serving one- and two-day lanes, as well as serving three and more day markets between adjacent regions. Saia operates as a traditional LTL carrier with a primary focus on regional and interregional LTL lanes.

The TL segment is the largest portion of the for-hire truck transportation market. TL carriers primarily transport large shipments from origin to destination with no intermediate handling. Although a full truckload can weigh over 40,000 pounds, it is common for carriers to haul two or three shipments exceeding 10,000 pounds each at one time making multiple delivery stops.

Because TL carriers do not require an expansive network to provide point-to-point service, the overall cost structure of TL participants is typically lower and more variable relative to LTL service providers. The TL segment is comprised of several major carriers and numerous small entrepreneurial players. At the most basic level, a TL company can be started with capital for rolling stock (a tractor and a trailer), insurance, a driver and little else. As size becomes a factor, capital is needed for technology infrastructure and some limited facilities. Saia Motor Freight participates in the TL market as a means to fill empty miles in lanes that are not at capacity.

Capital requirements are significantly different in the traditional LTL segment versus the TL segment. In the LTL sector, substantial amounts of capital are required for a network of service facilities, shipment handling equipment and revenue equipment (both for city pick-up, delivery and linehaul). In addition, investment in effective technology has become increasingly important in the LTL segment largely due to the number of transactions and number of customers served on a daily basis. Saia Motor Freight picks up approximately 26,000 shipments per day, each of which has a shipper and consignee, and occasionally a third party, all of who need access to information in a timely manner. More importantly, technology plays a key role in improving customer service, operations efficiency and compliance, safety and yield management. Due to the significant infrastructure spending required, the cost structure is relatively prohibitive to new startup or small entrepreneurial operations. As a result, the LTL segment is more concentrated than the TL segment with a few large national carriers and several large regional carriers.

Table of Contents

Business Strategy

Saia has grown over the last decade through a combination of organic growth and the integration or tuck-in of smaller trucking companies. In 2001, Saia integrated WestEx and Action Express, regional LTL companies which had been acquired by Yellow in 1994 and 1998, respectively. WestEx operated in California and the Southwest and Action Express operated in the Pacific Northwest and Rocky Mountain states. In 2004, Saia acquired and integrated Clark Bros., a Midwestern LTL carrier serving 11 states. Saia has integrated this company which had contiguous regional coverage with minimal overlap. In late 2006, Saia acquired the Connection which operated in Indiana, Kentucky, Michigan and Ohio. Saia integrated the operations of the Connection during February 2007. Saia acquired Madison Freight Systems in February 2007 and integrated their operations in March 2007. Madison Freight operated in Wisconsin, Illinois and Minnesota.

Key elements of our business strategy include:

Focus on managing through the economic downturn.

The extremely challenging macro-economic environment and restrictiveness of overall credit markets have caused us to focus on initiatives to align costs with decreased volumes and evaluate financing alternatives should they be needed.

Continue to focus on operating safely.

Our most valuable resource is our employees. It is a corporate priority to continually emphasize the importance of safe operations and to reduce both the frequency and severity of injuries and accidents. This emphasis is not only appropriate to protect our employees and our communities, but with the continued escalation of commercial insurance and health care costs, is important to maintain and improve shareholder returns.

Continue focus on delivering best-in-class service.

The foundation of Saia s growth strategy is consistent delivery of high-quality service. Commitment to service quality is valued by customers and allows us to gain fair compensation for our services and positions us to improve market share.

Increase density in existing geographies.

We gain operating leverage by growing volume and density within existing geography. We estimate the potential incremental profitability on growth in current markets can be 15 percent or even higher. This improves margins, asset turnover and return on capital. We actively monitor opportunities to add service facilities where we have sufficient density. We see potential for future volume growth at Saia from the general economy, industry consolidation, strategic acquisitions, as well as specific sales and marketing initiatives.

Manage yields and business mix.

This element of our business strategy involves managing both the pricing process and the mix of customers and segments in ways that allow our network to operate more profitably. Due to overcapacity in the industry, the pricing environment became more challenging as 2009 progressed. Management expects pricing to be more rational when the economy improves and it should benefit from industry consolidation and tighter capacity in the future.

Continue focus on improving operating efficiencies.

Saia has management initiatives focused on continuing to improve operating efficiency. These initiatives help offset a variety of structural cost increases like casualty insurance, wage rates and health care benefits. We believe Saia continues to be well positioned to manage costs and utilize assets. We believe we will continue to see new opportunities for cost savings.

Prepare the organization for future growth.

Our primary focus within organizational development is maintaining sound relationships with our current employees. We invest in our employees through internal communication, training programs and providing competitive wages and benefits.

Table of Contents

We believe it is also important to invest in the development of human resources, technology capabilities and strategic real estate that are designed to position our Company for future growth to meet the increasing demands of the marketplace.

Expand geographic footprint.

While our immediate priority is to improve profitability of existing geography, we plan to pursue additional geographic expansion as we believe it promotes profitability growth and improves our customer value proposition over time.

Management may consider acquisitions from time to time to help expand geographic reach and density while gaining the business base of the acquired entity. Management believes integration of acquisitions is a core competency and it has developed a repeatable process from its successful experience in 2001 in integrating WestEx and Action Express into Saia and in 2004 in integrating Clark Bros. into Saia. Also during November 2006, Saia acquired the Connection expanding its footprint into Indiana, Kentucky, Michigan and Ohio and integrated it into Saia s operations in February 2007. On February 1, 2007, Saia acquired Madison Freight to expand its coverage and density in Wisconsin and integrated it into Saia s operations in March 2007. Any future acquisitions would also be dependent on the availability of capital to fund the acquisitions.

Seasonality

Our revenues are subject to seasonal variations. Customers tend to reduce shipments after the winter holiday season and operating expenses tend to be higher as a percent of revenue in the winter months primarily due to lower capacity utilization and weather effects. Generally, the first quarter is the weakest while the second and third quarters are the strongest. Quarterly profitability is also impacted by the timing of salary and wage increases which has varied in recent years.

Labor

Most LTL companies, including Saia, and virtually all TL companies are not subject to collective bargaining agreements.

In recent years, due to competition for quality employees, the compensation divide between union and non-union carriers has closed dramatically. However, there are still significant differences in benefit costs and work rule flexibility. Benefit costs for union carriers remain significantly above those paid by non-union carriers and union carriers may be subject to certain contingent multi-employer pension liabilities. In addition, non-union carriers have more work rule flexibility with respect to work schedules, routes and other similar items. Work rule flexibility is a major consideration in the regional LTL sector as flexibility is important to meet the service levels required by customers. Due to a challenging economy and company specific issues, a large LTL union carrier has implemented salary and wage reductions as high as 15% and suspended certain benefits thus resulting in lower costs than many non-union competitors.

Our employees are not represented by a collective bargaining unit. We believe this provides for better communications and employee relations, stronger future growth prospects, improved efficiencies and customer service capabilities.

Competition

Although there is some limited industry consolidation, shippers continue to have a wide range of choices. We believe that service quality, price, variety of services offered, geographic coverage, responsiveness and flexibility are the important competitive differentiators.

Saia focuses primarily on regional and interregional business and operates in a highly competitive environment against a wide range of transportation service providers. These competitors include a small number of large, national transportation service providers in the national and two-day markets and a large number of shorter-haul or regional transportation companies in the two-day and overnight markets. Saia also competes in and against several modes of transportation, including LTL, truckload and private fleets. The larger the service area, the greater the

Table of Contents

barriers to entry into the LTL trucking segment due to the need for broader geographic coverage and additional equipment and facility requirements associated with this coverage. The level of technology applications required and the ability to generate shipment densities that provide adequate labor and equipment utilization also make larger-scale entry into the market difficult.

Regulation

The trucking industry has been substantially deregulated and rates and services are now largely free of regulatory controls although federal and state authorities retain the right to require compliance with safety and insurance standards. The trucking industry remains subject to regulatory and legislative changes that can have a material adverse effect on our operations.

Key areas of regulatory activity include:

Department of Homeland Security.

The trucking industry is working closely with government agencies to define and implement improved security processes. The Transportation Security Administration continues to focus on trailer security, driver identification, security clearance and border-crossing procedures. These and other safety and security measures such as rules for transportation of hazardous materials could increase the cost of operations, reduce the number of qualified drivers and disrupt or impede the timing of our deliveries to customers.

Department of Transportation.

Within the Department of Transportation, the Federal Motor Carrier Safety Administration (the FMCSA) issued in August 2005 amended rules on motor carrier driver hours of service which limit the maximum number of hours a driver may be on duty between mandatory off-duty hours. The Company s operations were adjusted to comply with these rules and base operations were not materially affected. Revisions to these new rules, as a result of pending or future legal challenges, or any future requirements for on board recorders could impact our operations, further tighten the market for qualified drivers and put additional upward pressure on driver wages and purchased transportation costs.

Environmental Protection Agency.

The Environmental Protection Agency (EPA) issued regulation in 2007 reducing sulfur content of diesel fuel and reducing engine emissions. These regulations increased the cost of replacing and maintaining trucks and also increased fuel costs by lowering miles per gallon.

Our motor carrier operations are also subject to environmental laws and regulations, including laws and regulations dealing with underground fuel storage tanks, the transportation of hazardous materials and other environmental matters. We maintain bulk fuel storage and fuel islands at several of our facilities. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. We have established programs designed to monitor and control environmental risks and to comply with all applicable environmental regulations. As part of our safety and risk management program, we periodically perform internal environmental reviews to maintain environmental compliance and avoid environmental risk. We believe that we are currently in substantial compliance with applicable environmental laws and regulations and that the cost of compliance has not materially affected results of operations.

Food and Drug Administration.

As transportation providers of foodstuffs, we have had to comply with all rules issued by the Food and Drug Administration (FDA) to provide security of food and foodstuffs throughout the supply chain. We believe that we are currently in substantial compliance with applicable FDA rules and that the cost of compliance has not materially affected our results of operations.

Table of Contents

Trademarks and Patents

We have registered several service marks and trademarks in the United States Patent and Trademark Office, including Saia Guaranteed Select®, Saia Customer Service Indicators® and Saia Xtreme Guarantee®. We believe that these service marks and trademarks are important components of our marketing strategy.

Additional Information

Saia has an Internet website that is located at www.saia.com. Saia makes available, free of charge through its Internet website, all filings with the Securities and Exchange Commission (SEC) as soon as reasonably practicable after making such filings with the SEC.

Executive Officers

Information regarding executive officers of Saia is as follows (included herein pursuant to Instruction 3 to Item 401(b) of Regulation S-K and General Instruction G (3) of Form 10-K):

Name	Age	Positions Held
Richard D. O Dell	48	Effective January 1, 2007, President and Chief Executive Officer, Saia, Inc. having served as President of Saia, Inc. since July 2006. Previously, Mr. O Dell served as President and Chief Executive Officer, Saia Motor Freight Line, LLC since November 1999. Mr. O Dell has been a member of the Board of Directors of Saia, Inc. since July 2006.
Anthony D. Albanese	55	Senior Vice President of Sales & Operations of Saia Motor Freight Line, LLC since 1999.
James A. Darby	58	Vice President of Finance and Chief Financial Officer of Saia, Inc. since September 2006 having served as Vice President of Finance & Administration for Saia Motor Freight Line, LLC since 2000.
Mark H. Robinson	51	Vice President and Chief Information Officer of Saia, Inc. since August 2005 having served as Vice President of Information Technology for Saia Motor Freight Line, LLC since 1999.
Sally R. Buchholz	53	Vice President of Marketing and Customer Service of Saia Motor Freight Line, LLC since 1999.
Stephanie R. Maschmeier	37	Controller, Saia, Inc. since October 2007 having served as Director of Financial Reporting and Taxation. Ms. Maschmeier joined Saia, Inc. in July 2002 as Corporate Financial Reporting Manager. Prior to joining Saia, Inc., Ms. Maschmeier had eight years of experience in public accounting with Ernst & Young LLP.

Officers are elected by, and serve at the discretion of, the Board of Directors. There are no family relationships between any executive officer and any other executive officer or director of Saia or its subsidiary.

Item 1A. *Risk Factors*

Saia shareholders should be aware of certain risks, including those described below and elsewhere in this Form 10-K, which could adversely affect the value of their holdings and could cause our actual results to differ materially from those projected in any forward looking statements.

We are subject to general economic factors that are largely out of our control, any of which could have a material adverse effect on the results of our operations.

Our business is subject to a number of general economic factors that may have a material adverse effect on the results of our operations, many of which are largely out of our control. These include recessionary economic cycles and downturns in customer business cycles. Economic conditions may adversely affect the business levels of our customers, the amount of transportation services they need and their ability to pay for our services.

If the national and world-wide financial crisis continues or intensifies, it could adversely impact demand for our services.

Continued market disruptions could cause broader economic downturns and impact the ability of our customers to access the capital or credit markets which may lead to lower demand for our services, increased incidence of customers inability to pay their accounts, or insolvency of our customers, any of which could adversely affect our results of operations, liquidity, cash flows and financial condition.

If the national and world-wide financial crisis intensifies, potential disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.

If internal funds are not available from our operations, we may be required to rely on the capital and credit markets to meet our financial commitments and short-term liquidity needs. Disruptions in the capital and credit markets, as have been experienced during 2008 and 2009, could adversely affect our ability to draw on our bank revolving credit facility. Our access to funds under that credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

We are dependent on cost and availability of qualified drivers and purchased transportation.

There is significant competition for qualified drivers within the trucking industry and attracting and retaining drivers has become more challenging. We may periodically experience shortages of qualified drivers that could result in us not meeting customer demands, upward pressure on driver wages, underutilization of our truck fleet and/or use of higher cost purchased transportation which could have a material adverse effect on our operating results. There is also significant competition for quality purchased transportation within the trucking industry. We may periodically experience shortages of quality purchased transportation that could result in us not meeting customer demands which could have a material adverse effect on our operating results.

We are dependent on cost and availability of fuel.

Fuel is a significant operating expense. We do not hedge against the risk of fuel price increases. Global political events, federal, state and local regulations, natural disasters and other external factors could influence the cost and availability of fuel. Increases in fuel prices to the extent not offset by fuel surcharges or other customer price increases or any fuel shortages or interruption in the supply or distribution of fuel could have a material adverse effect on operating results. Historically, we have been able to offset significant fuel price increases through fuel surcharges and other pricing adjustments to our customers but we cannot be certain that we will be able to do so in the future. In recent years, given the significance of fuel surcharges, the negotiation of customer price increases has become commingled with fuel surcharges. We have experienced cost increases in other operating costs as a result of increased fuel prices; however, the total impact of higher energy prices on other non-fuel related expenses is difficult to determine. A rapid and significant decline in diesel fuel prices would reduce our revenue and yield until we made the appropriate adjustments to our pricing strategy.

Table of Contents

Limited supply and increased prices of new revenue equipment and real estate may adversely impact financial results and cash flows.

Investment in new revenue equipment is a significant part of our annual capital expenditures. We may have difficulty in purchasing new trucks due to decreased supply, restrictions on the availability of capital and the price of such equipment may be adversely impacted by future regulations on newly manufactured diesel engines. Our business model is also dependent on cost and availability of terminal facilities in key metropolitan areas. Shortages in the availability of real estate or delays in construction due to difficulties in obtaining permits may require significant additional investment in leasing, purchasing or building facilities, increase our operating expenses and/or prevent us from efficiently serving certain markets. In addition, we may not realize sufficient revenues or profits from our infrastructure investments.

The engines in our newer tractors are subject to new emissions-control regulations which could substantially increase operating expenses.

Tractor engines that comply with the Environmental Protection Agency (EPA) emission-control design requirements that took effect on January 1, 2007 are generally less fuel-efficient and have increased maintenance costs compared to engines in tractors manufactured before these requirements became effective. In addition, compliance with the more stringent EPA requirements that are scheduled to be effective in 2010 could result in further declines in fuel efficiency and increases in maintenance costs. If we are unable to offset resulting increases in fuel expenses or maintenance costs with higher freight rates, our results of operations could be adversely affected.

Our Company-specific performance improvement initiatives may not be effective.

Operating performance improvement at Saia is dependent on the implementation and/or the continuation of various performance improvement initiatives. Our operating margin is still below several best-in-class competitors. There can be no assurance that Saia s historical performance trend will be representative of future performance. Failure to achieve performance improvement initiatives could have a material adverse impact on our operating results.

We operate in a highly regulated and highly taxed industry. Costs of compliance with or liability for violation of existing or future regulations could have a material adverse effect on our business.

The U.S. Department of Transportation and various state agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and financial reporting. We may also become subject to new or more restrictive regulations imposed by the Department of Transportation, the Occupational Safety and Health Administration or other authorities relating to engine exhaust emissions, driver hours of service, security, ergonomics, as well as other unforeseen matters. Compliance with such regulations could substantially impair equipment productivity and increase our costs. Various federal and state authorities impose significant operating taxes on the transportation industry, including fuel taxes, tolls, excise and other taxes. There can be no assurance such taxes will not substantially increase or that new forms of operating taxes will not be imposed on the industry.

In August 2005, the Federal Motor Carrier Safety Administration (the FMCSA) amended rules on motor carrier driver hours of service which limit the maximum number of hours a driver may be on duty between mandatory off-duty hours. Our operations were adjusted to comply with these rules, and while our base operations were not materially affected, we did experience deterioration in the cost, availability and reliability of purchased transportation. Revisions to these rules, as a result of pending or future legal challenges or any future requirements for on-board recorders, could further impact our operations, further tighten the market for qualified drivers and put additional pressure on driver wages and purchased transportation costs.

The Transportation Security Administration continues to focus on trailer security, driver identification and security clearance and border crossing procedures. These and other safety and security measures, such as rules for transportation of hazardous materials could increase the cost of operations, reduce the number of qualified drivers and disrupt or impede the timing of our deliveries for our customers.

The EPA has issued regulations that require progressive reductions in exhaust emissions from diesel engines through 2010. A significant reduction in emissions occurred in 2007 which included both reductions in sulfur content of diesel fuel and further reductions in engine emissions. These regulations increased the cost of replacing and maintaining trucks and increased fuel costs by reducing miles per gallon. These regulations have the potential to reduce availability of fuel and reduce productivity.

We are subject to various environmental laws and regulations. Costs of compliance with or liabilities for violations of existing or future regulations could have a material adverse effect on our business.

Our operations are subject to environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks and discharge and retention of storm water. We operate in industrial areas where truck terminals and other industrial activities are located and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances or if we are found to be in violation of applicable laws or regulations, it could have a material adverse effect on our business and operating results. If we fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

In addition, as global warming issues become more prevalent, federal and local governments and our customers are beginning to respond to these issues. This increased focus on sustainability may result in new regulations and customer requirements that could negatively affect us. This could cause us to incur additional direct costs or to make changes to our operations in order to comply with any new regulations and customer requirements. We could also lose revenue if our customers divert business from us because we have not complied with their sustainability requirements. These costs, changes and loss of revenue could have a material adverse affect on our business, financial condition and results of operations.

We operate in a highly competitive industry and our business will be adversely impacted if we are unable to adequately address potential downward pricing pressures and other factors that may adversely affect our operations and profitability.

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- competition with many other transportation service providers of varying types including non-asset based logistics and freight brokerage companies, some of which have greater capital resources than we do or have other competitive advantages;

- transportation companies periodically reduce their prices to gain business, especially during economic recessions or times of reduced growth rates in the economy which may limit our ability to maintain or increase prices or achieve significant growth in our business; and

- advances in technology require increased investments to remain competitive and our customers may not be willing to accept higher prices to cover the cost of these investments.

The transportation industry is affected by business risks that are largely out of our control, any of which could have a material adverse effect on the results of our operations.

Businesses operating in the transportation industry are affected by risks that are largely out of their control, any of which could have a material adverse effect on the results of our operations. These factors include weather, excess capacity in the transportation industry, interest rates, fuel taxes, license and registration fees, health care costs and insurance premiums. Our results of operations may also be affected by seasonal factors.

We have significant ongoing cash requirements that could limit our growth and affect profitability if we are unable to generate sufficient cash from operations or obtain sufficient financing on favorable terms.

Our business is highly capital intensive. Our net capital expenditures from continuing operations for 2009 were approximately $8 million and we anticipate net capital expenditures in 2010 of approximately $10 million. We depend on cash flows from operations, borrowings under our credit facilities and operating leases. If we are unable to generate sufficient cash from operations and obtain sufficient financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements or operate our trucks and trailers for longer periods. Any of these could have a material adverse effect on operations and profitability.

Under our current credit facilities, we are subject to certain debt covenants and prepayment penalties. Those debt covenants limit our ability to pay dividends and require maintenance of certain maximum leverage, minimum interest coverage and minimum tangible net worth ratios and a borrowing base, among other restrictions, that could limit availability of capital to meet our future growth.

Our ability to repay or refinance our indebtedness will depend upon our future operating performance which will be affected by general economic, financial, competitive, legislative, regulatory and other factors beyond our control.

Our credit and debt agreements contain financial and other restrictive covenants and we may be unable to comply with these covenants. A default could cause a material adverse effect on our liquidity, financial condition and results of operations.

We must maintain certain financial and other restrictive covenants under our credit and debt agreements, including among others, a fixed charge coverage ratio, leverage ratio and adjusted leverage ratio. If we fail to comply with any of these covenants, we will be in default under the relevant agreement which could cause cross-defaults under other financial arrangements. In the event of any such default, if we fail to obtain replacement financing, amendments to or waivers under the applicable financing arrangements, our financing sources could cease making further advances or declare our debt to be immediately due and payable. If acceleration occurs, we may have difficulty in borrowing sufficient additional funds to refinance the accelerated debt or we may have to issue securities which would dilute stock ownership. Even if new financing is made available to us, it may not be available on acceptable terms. A default under our credit and debt agreements could cause a material adverse effect on our liquidity, financial condition and results of operations.

Ongoing insurance and claims expenses could significantly reduce and cause volatility to our earnings.

We are exposed to claims resulting from cargo loss, personal injury, property damage, group health care and workers compensation in amounts ranging from $250,000 to $2.0 million per claim. We also maintain insurance with licensed insurance companies above these large deductible amounts. If the number or severity of future claims increases, insurance claim expenses might exceed historical levels which could significantly reduce our earnings. Significant increases in insurance premiums could also impact financial results or cause us to raise our self-insured retentions.

Furthermore, insurance companies, as well as certain states, require collateral in the form of letters of credit or surety bonds for the estimated exposure of claims within our self-insured retentions. Their estimate of our future exposure as well as external market conditions could influence the amount and cost of additional letters of credit required under our insurance programs and thereby reduce capital available for future growth.

Employees of Saia are non-union. The ability of Saia to compete would be substantially impaired if operations were to become unionized.

None of our employees are currently represented by a collective bargaining agreement. We have in the past been the subject of unionization efforts which have been defeated. However, the U.S. Congress could pass labor legislation, such as the proposed Employee Free Choice Act, which could make it significantly easier for unionization efforts to be successful. If this bill or a variation of it is enacted in the future, it could have an adverse impact on our business. While Saia believes its current relationship with its employees is good, there can be no assurance that further unionization efforts will not occur in the future and that such efforts will be defeated. The non-union status of Saia is a critical factor in its ability to compete in its respective markets.

If we are unable to retain our key employees, our business, financial condition and results of operation could be adversely impacted.

The future success of our business will continue to depend on our executive officers and certain other key employees who, with the principal exceptions of Mr. O Dell and Mr. Albanese, do not have employment agreements. The loss of services of any of our key personnel could have a material adverse effect on us.

Table of Contents

Changes to our compensation and benefits could adversely affect our ability to attract and retain employees.

Like other companies, we have implemented certain salary and wage cost initiatives. Such initiatives include the suspension of our 401(k) matching program and a compensation reduction equal to 10 percent of salary for our leadership team and five percent for hourly, linehaul and salaried employees in operations, maintenance and administration. Due to these changes, we may find it difficult to attract, retain and motivate employees and any such difficulty could materially adversely affect our business.

An increase in the cost of healthcare benefits in the United States could have a negative impact on our profitability.

We maintain and sponsor health insurance for our employees and their dependents and offer a competitive healthcare program to attract and retain our employees. It is possible that healthcare costs could become increasingly cost prohibitive, either forcing us to make changes to our benefits program or negatively impacting our future profitability.

We rely heavily on technology to operate our business and any disruption to our technology infrastructure could harm our operations.

Our ability to attract and retain customers and compete effectively depends in part upon reliability of our technology network including our ability to provide services that are important to our customers. Any disruption to our technology infrastructure, including those impacting our computer systems and web site, could adversely impact our customer service, revenues and result in increased costs. While we have invested and continue to invest in technology security initiatives and disaster recovery plans, these measures cannot fully protect us from technology disruptions that could have a material adverse effect on us.

Certain provisions of our governing documents and Delaware law could have anti-takeover effects.

Our Restated Certificate of Incorporation and By-laws contain certain provisions which may have the effect of delaying, deferring or preventing a change of control of the Company. Such provisions include, for example, provisions classifying our Board of Directors, a prohibition on shareholder action by written consent, authorization of the Board of Directors to issue preferred stock in series with the terms of each series to be fixed by the Board of Directors and the provision of an advance notice procedure for shareholder proposals and nominations to the Board of Directors. These provisions could diminish the opportunities for a shareholder of Saia to participate in certain tender offers, including tender offers at prices above the then-current fair market value, and may also inhibit fluctuations in the market price of our common stock that could result from takeover attempts. In addition, we have a shareholder rights plan that allows the Board of Directors, without further shareholder approval, to issue common stock and preferred stock that could have the effect of delaying, deferring or preventing a change of control of the Company. The issuance of common stock and preferred stock could also adversely affect the voting power of the current holders of common stock including resulting in the loss of voting control to others.

We may not make future acquisitions, or if we do, we may not realize the anticipated benefits of future acquisitions and integration of these acquisitions may disrupt our business and management.

We may make additional acquisitions in the future. However, there is no assurance that we will be successful in identifying, negotiating or consummating any future acquisitions. Additionally, we may not realize the anticipated benefits of any future acquisitions. Each acquisition has numerous risks including:

- difficulty in integrating the operations and personnel of the acquired company;

- disruption of our ongoing business, distraction of our management and employees from other opportunities and challenges due to integration issues;

- inability to achieve the financial and strategic goals for the acquired and combined businesses; and

- potential failure of the due diligence processes to identify significant issues with legal and financial contingencies, among other things.

In the event that the integrations are not successfully completed, there could be a material adverse effect on us.

Table of Contents

We face litigation risks that could have a material adverse effect on the operation of our business.

We face litigation regarding various alleged violations of state labor laws. These proceedings may be time-consuming, expensive and disruptive to normal business operations. The defense of such lawsuits could result in significant expense and the diversion of our management s time and attention from the operation of our business. Some or all of the amount we may be required to pay to defend or to satisfy a judgment or settlement of any or all of these proceedings may not be covered by insurance and could have a material adverse affect on us.

There are risks inherent in owning our common stock.

The market price and volume of our common stock have been, and may continue to be, subject to significant fluctuations. These may arise from general stock market conditions, the impact of the risk factors described above on our financial condition and results of operations, a change in sentiment in the market regarding us or our business prospects or from other factors.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Saia is headquartered in Johns Creek, Georgia and has general offices in Houma, Louisiana and Boise, Idaho. At December 31, 2009, Saia owned 55 service facilities and the Houma, Louisiana general office and leased 92 service facilities, the Johns Creek, Georgia corporate office and the Boise, Idaho general office. Although Saia owns only 37 percent of its service facility locations, these locations account for 49 percent of its door capacity. This follows Saia s strategy of owning strategically located facilities that are integral to its operations and leasing service facilities in smaller markets to allow for more flexibility. As of December 31, 2009, Saia owned 3,207 tractors and 11,070 trailers. In addition, Saia leased 142 tractors as of December 31, 2009.

In connection with amendments to the Company s revolving credit agreement and long-term note agreement in June 2009, the Company pledged certain real property, tractors and trailers and personal property owned by the Company to secure the Company s obligations under the agreements. All service facilities listed in the table below denoted as owned by the Company are subject to liens pursuant to the agreements. See Financial Condition under Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations for more information about the revolving credit agreement and long-term note agreement.

Table of Contents

Top 20 Saia Service Facilities by Number of Doors at December 31, 2009

Location	Own/Lease	Doors
Atlanta, GA	Own	224
Dallas, TX	Own	174
Houston, TX	Own	158
Chicago, IL	Lease	146
Garland, TX	Own	145
Memphis, TN	Own	124
Nashville, TN	Own	116
Charlotte, NC	Own	107
New Orleans, LA	Own	86
Denver, CO	Own	81
Los Angeles, CA	Lease	80
Fontana, CA	Own	79
Jacksonville, FL	Own	74
St. Louis, MO	Lease	72
Cincinnati, OH	Lease	70
Indianapolis, IN	Lease	68
Markham, IL	Lease	68
Miami, FL	Own	68
Toledo, OH	Lease	61
Phoenix, AR	Own	59

Item 3. ***Legal Proceedings***

California Labor Code Litigation. The Company is a defendant in a lawsuit originally filed in July 2007 in California state court on behalf of California dock workers alleging various violations of state labor laws. In August 2007, the case was removed to the United States District Court for the Central District of California. The claims include the alleged failure of the Company to provide rest and meal breaks and the alleged failure to reimburse the employees for the cost of work shoes, among other claims. In January 2008, the parties negotiated a conditional class-wide settlement under which the Company would pay $0.8 million to settle these claims. This pre-certification settlement is subject to court approval. In March 2008, the District Court denied preliminary approval and the named Plaintiff filed a petition with the United States Court of Appeals for the Ninth Circuit seeking permission to appeal this ruling. The petition was granted and the appeal is now pending. The proposed settlement is reflected as a liability of $0.8 million at December 31, 2009 and 2008 and was recorded as other operating expenses in the fourth quarter of 2007.

Other. The Company is subject to legal proceedings that arise in the ordinary course of its business. In the opinion of management, the aggregate liability, if any, with respect to these actions will not have a material adverse effect on our consolidated financial position but could have a material adverse effect on the results of operations in a quarter or annual period.

PART II.

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Stock Price Information

Saia s common stock is listed on the NASDAQ National Market (NASDAQ) under the symbol SAIA. The following table sets forth, for the periods indicated, the high and low sale prices per share for the common stock as reported on NASDAQ.

	Low	High
Year Ended December 31, 2009		
First Quarter	$ 7.93	$ 12.42
Second Quarter	$ 11.02	$ 19.40
Third Quarter	$ 15.15	$ 20.00
Fourth Quarter	$ 12.96	$ 16.66
Year Ended December 31, 2008		
First Quarter	$ 11.50	$ 17.43
Second Quarter	$ 10.50	$ 17.27
Third Quarter	$ 10.62	$ 19.99
Fourth Quarter	$ 6.52	$ 13.28

Stockholders

As of January 31, 2010, there were 1,733 holders of record of our common stock.

Dividends

We have not paid a dividend on our common stock. Any payment of dividends in the future is dependent upon our financial condition, capital requirements, earnings, cash flow and other factors.

Dividends are prohibited under our current debt agreements which have been previously filed with the SEC and are incorporated by reference herein. However, there are no material restrictions on the ability of our subsidiary to transfer funds to us in the form of cash dividends, loans or advances. See Note 4 of the accompanying audited consolidated financial statements for more information on the debt agreements.

Equity Compensation Plan Information

	Number of Securities to be Issued Upon Exercise of	Weighted-Average Exercise Price of	Number of Securities Remaining Available for Future Issuances Under

Plan Category	Outstanding Options, Warrants and Rights (a)		Outstanding Options, Warrants and Rights (b)	Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	405,561	$	16.76	301,848(1)
Equity compensation plans not approved by security holders				
Total	405,561	$	16.76	301,848

(1) See Note 9 to the audited consolidated financial statements for a description of the equity compensation plan for securities remaining available for future issuance. As there are currently 51,000 shares of restricted stock outstanding, no more than 49,000 of the amount remaining available may be issued in the form of restricted stock under the Saia, Inc. Amended and Restated 2003 Omnibus Incentive Plan.

Table of Contents

Issuer Purchases of Equity Securities

	Issuer Purchases of Equity Securities			
Period	**(a) Total Number of Shares (or Units) Purchased(1)**	**(b) Average Price Paid per Share (or Unit)**	**(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased under the Plans or Programs**
October 1, 2009 through October 31, 2009	910(2)	$ 15.06(2)		$
November 1, 2009 through November 30, 2009	(3)	(3)		
December 1, 2009 through December 31, 2009	(4)	(4)		
Total	910			

(1) Shares purchased by the SCST Executive Capital Accumulation Plan were open market purchases. For more information on the SCST Executive Capital Accumulation Plan see the Registration Statement on Form S-8 (No. 333-103661) filed on March 7, 2003.

(2) The SCST Executive Capital Accumulation Plan sold no shares of Saia stock on the open market during the period of October 1, 2009 through October 31, 2009.

(3) The SCST Executive Capital Accumulation Plan sold no shares of Saia stock on the open market during the period of November 1, 2009 through November 30, 2009.

(4) The SCST Executive Capital Accumulation Plan sold no shares of Saia stock on the open market during the period of December 1, 2009 through December 31, 2009.

Table of Contents

Item 6. *Selected Financial Data*

The following table shows summary consolidated historical financial data of Saia and subsidiary and has been derived from, and should be read together with, the consolidated financial statements and accompanying notes and in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations . The summary financial information may not be indicative of the future performance of Saia.

	Years Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(In thousands except per share data and percentages)				
Statement of operations data:					
Operating revenue continuing operations	$ 849,141	$ 1,030,421	$ 976,123	$ 874,738	$ 754,038
Operating income (loss) continuing operations(1)	(3,693)	(9,851)	38,168	49,994	50,436
Income (loss) from continuing operations	(9,036)	(19,689)	17,085	25,873	25,158
Net income (loss)	(7,875)	(20,727)	18,342	(20,681)	27,459
Diluted earnings (loss) per share continuing operations	(0.67)	(1.48)	1.22	1.74	1.67
Diluted earnings (loss) per share	(0.59)	(1.56)	1.31	(1.39)	1.82
Other financial data:					
Net cash provided by operating activities	14,089	82,339	46,271	76,137	83,903
Net cash used in investing activities(2)	(7,574)	(26,005)	(91,429)	(72,298)	(53,701)
Depreciation and amortization	39,342	40,898	38,685	32,550	28,849
Balance sheet data:					
Cash and cash equivalents	8,746	27,061	6,656	10,669	16,865
Net property and equipment	323,360	355,802	368,772	314,832	246,634
Total assets	466,426	515,752	560,583	487,400	554,741
Total debt	90,000	136,399	172,845	109,984	114,913
Total shareholders equity(3)	202,681	183,572	200,752	203,155	228,392
Measurements:					
Operating ratio(4)	100.4%	101.0%	96.1%	94.3%	93.3%

(1) Operating expenses in 2009 includes a $12.3 million reduction in expense related to the change in vacation policy and in 2008 includes a non-cash goodwill impairment charge of $35.5 million. Operating expenses in 2007 includes integration charges of $2.4 million relating to the integration of the Connection and Madison Freight into Saia. Operating expenses in 2006 include restructuring charges of $2.6 million relating to the consolidation and relocation of the corporate headquarters to Johns Creek, GA and integration charges of $1.5 million relating to the integration of the Connection into Saia. Operating income in 2005 includes a $7.0 million gain from sale of excess real estate.

(2)

Net cash used in 2007 includes $2.3 million for the acquisition of Madison Freight. Net cash used in investing activities in 2006 include $17.5 million for the acquisition of the Connection and proceeds from the sale of Jevic of $41.3 million. Net cash used in investing activities in 2004 include $23.5 million for the acquisition of Clark Bros.

(3) Saia sold 2,310,000 shares of common stock in December 2009.

(4) The operating ratio is the calculation of operating expenses divided by operating revenue.

Table of Contents

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Forward-Looking Statements

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand the future prospects of a company and make informed investment decisions. This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations, contains these types of statements, which are forward-looking within the meaning of the Securities Litigation Reform Act of 1995. Words such as anticipate, estimate, expect, project, intend, may, plan, pr should and similar words or expressions are intended to identify forward-looking statements. Investors should not place undue reliance on forward-looking statements, and the Company undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements reflect the present expectation of future events of our management and are subject to a number of important factors, risks, uncertainties and assumptions that could cause actual results to differ materially from those described in any forward-looking statements. These factors and risks include, but are not limited to, general economic conditions including downturns in the business cycle; the creditworthiness of our customers and their ability to pay for services; competitive initiatives and pricing pressures, including in connection with fuel surcharge; the Company s need for capital and uncertainty of the current credit markets; the possibility of defaults under the Company s debt agreements (including violation of financial covenants); possible issuance of equity securities that would dilute stock ownership; indemnification obligations associated with the 2006 sale of Jevic Transportation, Inc.; the effect of ongoing litigation including class action lawsuits; cost and availability of qualified drivers, fuel, purchased transportation, property, revenue equipment and other operating assets; governmental regulations, including but not limited to hours of service, engine emissions, compliance with legislation requiring companies to evaluate their internal control over financial reporting, changes in interpretation of accounting principles and Homeland Security; dependence on key employees; inclement weather; labor relations, including the adverse impact should a portion of the Company s workforce become unionized; effectiveness of company-specific performance improvement initiatives; terrorism risks; self-insurance claims, and other expense volatility; and other financial, operational and legal risks and uncertainties detailed from time to time in the Company s SEC filings. These factors and risks are described in Item 1A: Risk Factors of this Form 10-K.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-K. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

The Company s business is highly correlated to non-service sectors of the general economy. The Company s priorities are focused on increasing volume within existing geographies while managing both the mix and yield of business to achieve increased profitability. The Company s business is labor intensive, capital intensive and service sensitive. The Company looks for opportunities to improve cost effectiveness, safety and asset utilization (primarily tractors and trailers). The extremely challenging macro-economic environment and illiquidity in the overall credit markets have caused the Company to focus on initiatives to align costs with significantly decreased volumes. In 2009, these initiatives included multiple reductions in force, wage reductions, reductions in discretionary spending and process improvements to minimize costs. Technology is important to supporting service to our customers, operating management and yield. The Company s operating revenue declined by 17.6 percent in 2009 over 2008. The declines resulted primarily from the weak economic conditions, an increasingly competitive pricing environment and lower fuel surcharge.

Consolidated operating loss from continuing operations was $3.7 million for 2009 compared to loss of $9.9 million in 2008. The operating loss from 2008 includes a non-cash goodwill impairment charge of $35.5 million. Excluding this goodwill impairment charge, operating income in 2008 would have been $25.7 million. The 2009 operating income decrease (after adjustment for the 2008 goodwill impairment charge) resulted primarily from the continued weak economic environment, increasingly competitive pricing environment and higher costs. The Company saw volume declines for each quarter of 2009 versus the comparable prior year quarter. The overcapacity in the industry has also led to a much more challenging pricing environment throughout 2009, as fourth quarter 2009 LTL yield was down approximately 5 percent compared to the fourth quarter of 2008. Loss per share from continuing operations for 2009 was $0.67 per share versus a loss per share from continuing operations of $1.48 in the prior year. Excluding the goodwill impairment charge, 2008 would have had earnings per share of $0.71. The operating ratio (operating expenses divided by operating revenue) was 100.4 percent in 2009 compared to 101.0 percent in 2008. Excluding the goodwill impairment charge, the operating ratio would have been 97.5 percent in 2008.

The Company generated $19.4 million in cash from operating activities of continuing operations in 2009 versus generating $70.2 million in 2008. Cash flows from operating activities of discontinued operations were a use of $5.3 million for 2009 versus cash provided of $12.1 million for 2008. The Company had net cash used in investing activities from continuing operations of $7.6 million during 2009 for the purchase of property and equipment. Cash used in financing activities during 2009 included $46.5 million for debt repayments and $3.5 million for debt amendment fees compared to net debt payments of $36.5 million in 2008.

The Company amended its revolving credit agreement and its long-term note agreement in June and December 2009 to obtain financial covenant relief to address continuing challenges associated with the macro-economic conditions. As part of the amendments, the Company agreed to reduce the revolving credit facility from $160 million to $120 million and pledged certain assets as security for the indebtedness under both facilities. The amendments also included increases in interest rates, letter of credit fees and certain other fees. Simultaneously with the December 2009 amendments, the Company issued shares of common stock in a private placement that generated $24.9 million in net proceeds and agreed to prepay principal and interest otherwise payable during 2010 under the long-term note agreement aggregating $24.5 million and $2.0 million in letter of credit fees otherwise payable in 2010 under the revolving credit agreement.

During 2009, the Company paid down $46.5 million of indebtedness. The Company had no borrowings on its revolving credit agreement, outstanding letters of credit of $57.4 million and cash and cash equivalents of $8.7 million as of December 31, 2009. The Company was in compliance with all of the debt covenants under the revolving credit agreement and long-term note agreement at December 31, 2009. See Financial Condition for a more complete discussion of these agreements and the amendments to these agreements.

General

The following management s discussion and analysis describes the principal factors affecting the results of operations, liquidity and capital resources, as well as the critical accounting policies, of Saia, Inc and subsidiary, (also referred to as Saia or the Company). This discussion should be read in connection with the accompanying audited consolidated financial statements which include additional information about our significant accounting policies, practices and the transactions that underlie our financial results.

The Company is an asset-based transportation company headquartered in Johns Creek, Georgia providing regional and interregional LTL services and selected longer-haul LTL, guaranteed and expedited service solutions to a broad base of customers across the United States through its wholly owned subsidiary Saia Motor Freight Line, LLC (Saia Motor Freight). The Company integrated the operations of Madison Freight into Saia Motor Freight in March 2007.

Our business is highly correlated to non-service sectors of the general economy. It also is impacted by a number of other factors as detailed in the Forward-Looking Statements and Risk Factors sections of this Form 10-K. The key factors that affect our operating results are the volumes of shipments transported through our network as measured by our average daily shipments and tonnage; the prices we obtain for our services as measured by revenue per hundredweight (a measure of yield) and revenue per shipment; our ability to manage our cost structure for capital expenditures and operating expenses such as salaries, wages and benefits; purchased transportation; claims and insurance expense; fuel and maintenance; and our ability to match operating costs to shifting volume levels. Fuel surcharges have remained in effect for several years and are a significant component of revenue and pricing. Fuel surcharges are an integral part of annual customer contract renewals which blur the distinction between base price increases and recoveries under the fuel surcharge program.

Results of Operations

Saia, Inc. and Subsidiary
Selected Results of Continuing Operations and Operating Statistics
For the years ended December 31, 2009, 2008 and 2007

	2009	2008	2007	Percent Variance 09 v. 08	08 v. 07
	(In thousands, except ratios and revenue per hundredweight)				
Operating Revenue	$ 849,141	$ 1,030,421	$ 976,123	(17.6)%	5.6%
Operating Expenses:					
Salaries, wages and employees benefits	486,473	537,857	524,599	(9.6)	2.5
Purchased transportation	64,728	78,462	76,123	(17.5)	3.1
Depreciation and amortization	39,342	40,898	38,685	(3.8)	5.7
Other operating expenses	262,291	347,544	298,548	(24.5)	16.4
Goodwill impairment charge		35,511		n/a	n/a
Operating Income (Loss)	(3,693)	(9,851)	38,168	(62.5)	(125.8)
Operating Ratio	100.4%	101.0%	96.1%	(0.6)	5.1
Nonoperating Expenses	11,948	12,860	9,777	(7.1)	31.5
Working Capital	31,782	8,027	23,828	295.9	(66.3)
Operating Cash Flow from Continuing Operations	19,421	70,248	47,528	(72.4)	47.8
Net Acquisitions of Property and Equipment	7,574	26,005	89,085	(70.9)	(70.8)
Saia Motor Freight Operating Statistics:					
LTL Tonnage	3,476	3,695	3,794	(5.9)	(2.6)
Total Tonnage	4,097	4,438	4,527	(7.7)	(2.0)
LTL Shipments	6,428	6,710	6,888	(4.2)	(2.6)
Total Shipments	6,515	6,810	6,988	(4.3)	(2.5)
LTL Revenue Per Hundredweight	$ 11.42	$ 12.95	$ 12.00	(11.8)	7.9
Total Revenue Per Hundredweight	$ 10.36	$ 11.61	$ 10.79	(10.8)	7.6

Continuing Operations

Year ended December 31, 2009 vs. year ended December 31, 2008

Revenue and volume

Consolidated revenue decreased 17.6 percent to $849.1 million as a result of decreased tonnage and lower yields including the impact of decreased fuel surcharges. Yield was negatively impacted by a weak economy and an increasingly competitive pricing environment. Due to overcapacity in the industry, the pricing environment became more challenging as 2009 progressed.

Saia s LTL revenue per hundredweight (a measure of yield) decreased 11.8 percent to $11.42 per hundredweight for 2009 including the impact of decreased fuel surcharges and the increasingly competitive pricing environment. Saia s

LTL tonnage was down 5.9 percent to 3.5 million tons and LTL shipments were down 4.2 percent to 6.4 million shipments. Approximately 70 percent of Saia s operating revenue is subject to individual customer price adjustment negotiations that occur throughout the year. The remaining 30 percent of operating revenue is subject to an annual general rate increase. On February 9, 2009, Saia implemented a 4.9 percent general rate increase for customers comprising this 30 percent of operating revenue. Competitive factors, customer turnover and mix changes, among other things, impact the extent to which customer rate increases are retained over time.

Operating expenses and margin

Consolidated operating loss of $3.7 million in 2009 compared to operating loss of $9.9 million in 2008. The 2008 operating results include a non-cash goodwill impairment charge of $35.5 million. The goodwill impairment charge is a one-time, non-cash charge resulting from a significant sustained decline in the Company s market capitalization in the fourth quarter of 2008. The charge does not affect the Company s tangible book value or the Company s ability to operate and serve its customers. The Company changed its vacation policy in 2009, which reduced 2009 vacation expense by $12.3 million compared to 2008. The 2009 operating ratio (operating expenses divided by operating revenue) was 100.4, as compared to 101.0 in 2008, or 97.5 excluding the effect of the 2008 goodwill impairment charge. Lower fuel prices, in conjunction with volume changes due to decreased tonnage, caused $73.2 million of the decrease in fuel, operating expenses and supplies. This is reflective of the diesel fuel price trends throughout the year. The Company implemented a reductions-in-force during the fourth quarter of 2008 and the first and fourth quarters of 2009 to bring the Company s workforce in line with business levels and a reduced outlook. The Company suspended its 401(k) match effective February 1, 2009. On April 1, 2009, the Company implemented a compensation reduction equal to 10 percent of salary for the Company s leadership team, five percent for hourly, linehaul and salaried employees in operations, maintenance and administration and 10 percent in the annual retainer and meeting fees paid to the non-employee members of the Company s Board of Directors. Estimated annualized savings from the suspension of the 401(k) match is $6 million and $18 million from the compensation and wage reductions. The cost reductions from the above actions have been partially offset by increased health insurance and workers compensation costs of $7.3 million. During 2009, accident expense was $0.5 million lower than prior year due to decreased severity. The Company can experience volatility in accident expense as a result of its self-insurance structure and $2.0 million retention limits per occurrence. Purchased transportation expenses decreased 17.5 percent in 2009 compared to the prior year reflecting lower fuel prices, decreased utilization due to lower volumes and increased usage of Company drivers.

Other

Substantially, all non-operating expenses represent interest expense. The interest expense in 2009 includes the impacts of increases in interest rates, letter of credit fees, and amortization of fees for the debt agreement amendments partially offset by reduced amounts of long-term debt. Interest costs were $12.2 million in 2009 versus $12.4 million in 2008. The Company s debt structure consists predominantly of longer-term, fixed rate instruments. The effective tax rate was 42.2 percent in 2009 compared to 13.3 percent in 2008. The 2009 effective tax rate included approximately $1.0 million of tax credits. The 2008 effective tax rate included approximately $1.8 million of non-recurring tax credits and a $6.1 million benefit as a result of the non-cash goodwill impairment charge. The notes to the consolidated financial statements provide an analysis of the income tax provision and the effective tax rate.

Working capital/capital expenditures

Working capital at December 31, 2009 was $31.8 million which increased from working capital at December 31, 2008 of $8.0 million primarily due to a decrease in the current portion of long-term debt resulting from the December 2009 prepayment of principal and interest otherwise due under the long-term notes in 2010 and a decrease in the liabilities for wages, vacation and employees benefits partially offset by a decrease in cash on-hand and net accounts receivable. Cash flows from operating activities were $14.1 million for 2009 versus $82.3 million for 2008. Cash flows from operating activities in 2009 and 2008 included $5.3 million of cash used in and $12.1 million of cash provided by discontinued operations, respectively. For 2009, cash used in investing activities was $7.6 million versus $26.0 million in the prior year primarily due to a lower property and equipment purchases. The Company has reduced capital expenditures in recent years in response to the challenging economic environment. Cash used in financing activities was $24.8 million in 2009 versus $35.9 million for the prior year. Financing activities in 2009 included $24.9 million in net proceeds from the sale of common stock more than offset by $46.5 million for payments on outstanding debt.

Year ended December 31, 2008 vs. year ended December 31, 2007

Revenue and volume

Consolidated revenue increased 5.6 percent to $1.0 billion as a result of higher yields including the impact of increased fuel surcharges and increased length of haul partially offset by decreased tonnage on a per day basis primarily as a result of the difficult economic environment. Revenue was negatively impacted by a weak economy and competitive pricing environment. Due to overcapacity in the industry, the pricing environment has become even more challenging, particularly in the latter half of 2008. Fuel prices led to a significant increase in fuel expenses in 2008 as compared to 2007. The costs per gallon increases were offset by the fuel surcharge. We have also experienced cost increases in other operating costs as a result of increased fuel prices. However, the total impact of higher energy prices on other non-fuel related expenses is difficult to determine.

Saia s LTL revenue per hundredweight (a measure of yield) increased 7.9 percent to $12.95 per hundredweight for 2008 including the impact of fuel surcharges. Saia s LTL tonnage was down 2.6 percent to 3.7 million tons and LTL shipments were down 2.6 percent to 6.7 million shipments. Approximately 70 percent of Saia s revenue is subject to individual customer price adjustment negotiations that occur throughout the year. The remaining 30 percent of revenue is subject to an annual general rate increase. On February 18, 2008, Saia implemented a 5.4 percent general rate increase for customers comprising this 30 percent of revenue. Competitive factors, customer turnover and mix changes, among other things, impact the extent to which customer rate increases are retained over time.

Operating expenses and margin

Consolidated operating loss of $9.9 million in 2008 compared to operating income of $38.2 million in 2007. The 2008 operating loss includes a non-cash goodwill impairment charge of $35.5 million. The goodwill impairment charge is a one-time, non-cash charge resulting from a significant sustained decline in the Company s market capitalization. The charge does not affect the Company s tangible book value or the Company s ability to operate and serve its customers. The 2007 results include $2.4 million of pre-tax integration charges from the acquisition of the Connection in November 2006 and Madison Freight in February 2007. The 2008 operating ratio (operating expenses divided by operating revenue) was 101.0, or 97.5 excluding the effect of the goodwill impairment charge, compared to 96.1 for 2007. Higher fuel prices, in conjunction with volume changes, caused $45.9 million of the increase in fuel, operating expenses and supplies. This is reflective of the diesel fuel price trends throughout the year, particularly the rising prices through the first three quarters, followed by a rapid decline in the fourth quarter. Increased revenues from the fuel surcharge program offset fuel price increases. Year-over-year price increases were more than offset by volume declines along with cost increases in wages, health care, depreciation and maintenance. The Company implemented a reduction-in-force during the fourth quarter of 2008 to bring the Company s workforce in line with business levels and a reduced outlook. During 2008, accident expense was $6.2 million lower than 2007 due to decreased severity and frequency. The Company experiences volatility in accident expense as a result of its self-insurance structure and $2.0 million retention limits per occurrence. The annual wage rate increase for 2008 and 2007 averaged 1.0 percent and 2.5 percent, respectively, effective in December of each year. While the net effect of equity-based compensation stock price performance was zero in 2008, the Company recorded a pre-tax benefit of $3.0 million during 2007. Equity-based compensation expense includes the expense for the cash-based awards under the Company s long-term incentive plans, which is a function of the Company s stock price performance versus a peer group, and the deferred compensation plan s expense, which was tied to changes in the Company s stock price. However, a plan amendment in November 2008 changed the accounting for the deferred compensation plan and results in equity plan accounting for the plan going forward.

Other

Substantially, all the Company s non-operating expenses represent interest expense. Interest costs were $12.4 million in 2008 versus $10.1 million in 2007, reflecting the increase in average outstanding indebtedness in 2008. The Company s capital structure consists predominantly of longer-term, fixed rate instruments. The consolidated effective tax rate was 13.3 percent in 2008 compared to 39.8 percent in 2007. The 2008 effective tax rate included approximately $1.8 million of non-recurring tax credits and a $6.1 million benefit as a result of the non-cash goodwill impairment charge. The notes to the consolidated financial statements provide an analysis of the income tax provision and the effective tax rate.

Working capital/capital expenditures

Working capital at December 31, 2008 was $8.0 million, which decreased from working capital at December 31, 2007 of $23.8 million due to lower accounts receivable and higher current debt as a result of the obligation to redeem the subordinated debentures. Cash flows from operating activities were $82.3 million for 2008 versus cash flows from operations of $46.3 million for 2007. Cash flows from operating activities in 2008 and 2007 included $12.1 million and $1.3 million from discontinued operations, respectively. For 2008, cash used in investing activities was $26.0 million versus $91.4 million in the prior year due to a significant decrease in the Company s capital expenditures as a result of the current economic environment. Cash used in financing activities was $35.9 million in 2008 versus cash from financing activities of $41.1 million for 2007. In 2008 financing activities included $25.0 million in proceeds from new senior notes more than offset by $61.5 million for payments on outstanding debt.

Discontinued Operations

On June 30, 2006, the Company completed the sale of all of the outstanding stock of Jevic Transportation, Inc. (Jevic), its hybrid less-than-truckload and truckload carrier business to a private investment firm in a cash transaction. The accompanying consolidated Statements of Operations for all periods presented have been adjusted to classify Jevic operations as discontinued operations. In 2007, the Company recorded a tax benefit of $1.3 million as a result of filing all of the state income tax returns for 2006 allowing the Company to finalize the amount of tax benefit associated with the loss on the sale of Jevic. In 2008, the Company recorded a $1.0 million charge, net of tax, as a result of a settlement agreement related to the bankruptcy of Jevic as described further below under contractual obligations. In 2009, the Company recorded an adjustment of $1.2 million; net of taxes, to the Jevic obligations assumed in connection with that settlement agreement as a result of a reduction in the required reserve for claims incurred but not reported and was reflected as discontinued operations.

Outlook

Our business remains highly correlated to the general economy and competitive pricing pressures, as well as the success of Company-specific improvement initiatives. There remains considerable uncertainty as to the direction of the economy going into 2010 including the timing of any economic recovery. We are evaluating further initiatives to reduce costs in line with declining volumes and yields. Additionally, we are closely monitoring financing alternatives for capital and other needs, if required. We plan to continue to focus on providing top quality service and improving safety performance. If financially troubled competitors were to cease operations and their capacity leave the market, current industry excess capacity could improve. However, there can be no assurance that any industry consolidation will indeed happen or if such consolidation occurs that it will materially improve the excess industry capacity.

The Company plans to continue to pursue revenue and cost initiatives to improve profitability. Planned revenue initiatives include, but are not limited to, building density and improving performance in our current geography, targeted marketing initiatives to grow revenue in more profitable segments, as well as pricing and yield management. The extent of success of these revenue initiatives is impacted by what proves to be the underlying economic trends, competitor initiatives and other factors discussed under Risk Factors.

Planned cost management initiatives include, but are not limited to, seeking gains in productivity and asset utilization that collectively are designed to offset anticipated inflationary unit cost increases in healthcare, workers compensation and all the other expense categories. Specific cost initiatives include linehaul routing optimization, reduction in costs of purchased transportation, expansion of wireless dock technology and an enhanced weight and inspection process.

The Company s vacation expense will return to historical levels in 2010. The following cost reductions taken in 2009 are subject to reinstatement in the future including the suspension of the Company s 401(k) match; reduction in compensation equal to 10 percent of salary for the Company s leadership team and a five percent wage reduction for hourly, linehaul and salaried employees in operations, maintenance and administration;

Table of Contents

and the 10 percent reduction in the annual retainer and meeting fees paid to the non-employee members of the Company s Board of Directors. If the Company builds market share, there are numerous operating leverage cost benefits. Conversely, should the economy soften from present levels, the Company plans to attempt to match resources and capacity to shifting volume levels to lessen unfavorable operating leverage. The success of cost improvement initiatives is also impacted by the cost and availability of drivers and purchased transportation, fuel, insurance claims, regulatory changes, successful implementation of profit improvement initiatives and other factors discussed under Risk Factors and Forward-Looking Statements.

See Risk Factors and Forward-Looking Statements for a more complete discussion of potential risks and uncertainties that could materially affect our future performance.

New Accounting Pronouncements

See Note 1 to the accompanying consolidated financial statements for further discussion of recent accounting pronouncements.

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (Statement 168). Statement 168 is the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force, and related accounting literature. Statement 168 reorganizes the thousands of pages of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission guidance organized using the same topical structure in separate sections. Statement 168 is effective for interim and annual periods ending after September 15, 2009. The adoption of Statement 168 had an effect on the Company s consolidated financial statements since all references to authoritative accounting literature are references in accordance with Statement 168.

Financial Condition

The Company s liquidity needs arise primarily from capital investment in new equipment, land and structures and information technology, letters of credit required under insurance programs, as well as funding working capital requirements.

The Company is party to a revolving credit agreement (Restated Credit Agreement) with a group of banks to fund capital investment and working capital needs. The facility provides up to $120 million in availability, subject to a borrowing base. The Company is also party to a long-term note agreement (Restated Master Shelf Agreement), as discussed below. The Company entered into amendments in June and December 2009 to the Revolving Credit Agreement and Master Shelf Agreement obtaining financial covenant relief through March 31, 2011. Pursuant to those amendments, the Company agreed to increases in interest rates, letter of credit fees and certain other fees and pledged certain real estate and facilities, tractors and trailers, accounts receivable and other assets to secure indebtedness under both agreements.

Simultaneously with the December 2009 amendments, the Company issued 2,310,000 shares of common stock in a private placement, which generated approximately $24.9 million in net proceeds. Proceeds were used primarily to prepay approximately $17.5 million in indebtedness and $7.0 million in scheduled interest payments in December 2009 that was otherwise due under the Master Shelf Agreement in 2010.

On February 27, 2009, the Company fully redeemed the $11.5 million of the 7% Convertible Subordinated Debentures due 2011.

Restated Credit Agreement

The December 2009 amendment to the Restated Credit Agreement reduced the revolving credit facility from $160 million to $120 million and resulted in debt issuance cost expense of $0.5 million in the fourth quarter of 2009. The Company also agreed as part of that amendment to prepay approximately $2.0 million in letter of credit fees otherwise payable in 2010. The Restated Credit Agreement is subject to a borrowing base described below, and matures on January 28, 2013.

Under the Restated Credit Agreement, interest rate margins on revolving credit loans, fees on letters of credit and the unused portion fee increased from the interest rate margins and fees in place prior to the 2009 amendments, but continued to be based on the Company s leverage ratio. Prior to the June 2009 amendment, the LIBOR rate margin and letter of credit fee ranged from 62.5 basis points to 162.5 basis points, the base rate margin ranged from minus 100 basis points to zero basis points and the unused portion fee ranged from 15 basis points to 25 basis points. Under the Restated Credit Agreement, the LIBOR rate margin and letter of credit fee range from 275 basis points to 400 basis points, the base rate margin ranges from 50 basis points to 175 basis points and the unused portion fee ranges from 40 basis points to 50 basis points, effective as of June 26, 2009. The Restated Credit Agreement provides for a 3.0% interest rate floor.

The Restated Credit Agreement, as amended by the December 2009 amendment provides relief from certain financial covenants through March 31, 2011 after which time they return to previous levels. Under the Restated Credit Agreement, the Company must maintain certain financial covenants including a minimum fixed charge coverage ratio, a leverage ratio, an adjusted leverage ratio and a minimum tangible net worth, among others.

The Restated Credit Agreement also provides for a pledge by the Company of certain land and structures, certain tractors, trailers and other personal property and accounts receivable, as defined in the Restated Credit Agreement. Total bank commitments under the Restated Credit Agreement are $125 million subject to a borrowing base calculated utilizing certain property, equipment and accounts receivable as defined in the Restated Credit Agreement.

At December 31, 2009, the Company had no borrowings under the Restated Credit Agreement and $57.4 million in letters of credit outstanding under the Credit Agreement. At December 31, 2008, the Company had no borrowings under the Credit Agreement and $54.0 million in letters of credit outstanding under the Credit Agreement. The available portion of the Credit Agreement may be used for future capital expenditures, working capital and letter of credit requirements as needed.

Restated Master Shelf Agreement

On September 20, 2002, the Company issued $100 million in Senior Notes under a $125 million (amended to $150 million in April 2005) Master Shelf Agreement with Prudential Investment Management, Inc. and certain of its affiliates. The Company issued another $25 million in Senior Notes on November 30, 2007 and $25 million in Senior Notes on January 31, 2008 under the same Master Shelf Agreement.

The initial $100 million Senior Notes have an initial fixed interest rate of 7.38 percent. Payments due under the $100 million Senior Notes were interest only until June 30, 2006 and at that time semi-annual principal payments began with the final payment due December 2013. The November 2007 issuance of $25 million Senior Notes have an initial fixed interest rate of 6.14 percent. The January 2008 issuance of $25 million Senior Notes have an initial fixed interest rate of 6.17 percent. Payments due for both $25 million issuances will be interest only until June 30, 2011 and at that time semi-annual principal payments will begin with the final payments due January 1, 2018. Under the terms of the Senior Notes, the Company must maintain certain financial covenants including a minimum fixed charge coverage ratio, a leverage ratio, an adjusted leverage ratio and a minimum tangible net worth, among others.

In connection with the December 2009 amendment of the Master Shelf Agreement, the Company prepaid the principal and interest on the Senior Notes in December 2009 otherwise due and payable during 2010, at the current interest rates. This resulted in no current portion due and prepaid interest included in prepaid expenses. In addition, the interest rate will increase to 9.75% in the first quarter of 2011. The interest rate on those notes may return to the original levels, when the Company is in compliance with the original financial covenants on or after the second quarter of 2011.

Other

At December 31, 2009, Yellow Corporation, now known as YRC Worldwide (Yellow), provided guarantees on behalf of Saia primarily for open workers compensation claims and casualty claims incurred prior to March 1, 2000. Under the Master Separation and Distribution Agreement entered into in connection with the 100 percent tax-free distribution of Saia shares to Yellow shareholders, Saia pays Yellow s actual cost of any collateral it provides to

Table of Contents

insurance underwriters in support of these claims at cost plus 100 basis points through September 2009. At December 31, 2009, the portion of collateral allocated by Yellow to Saia in support of these claims was $1.7 million.

Projected net capital expenditures for 2010 are now approximately $10 million primarily due to a reduction in planned purchases of strategic real estate within Saia s existing network and revenue equipment. This represents an approximately $2.4 million increase from 2009 net capital expenditures of $7.6 million for property and revenue equipment. None of the 2010 capital budget was committed at December 31, 2009. Net capital expenditures expected for 2010 pertain primarily to investments in revenue equipment, information technology, land and structures. The Company has reduced its capital expenditures in recent years in reaction to the difficult economic environment.

The Company has historically generated cash flows from operations that have funded its capital expenditure requirements. Cash flows from operating activities were $14.1 million for the year ended December 31, 2009, while net cash used in investing activities was $7.6 million. As such, the additional cash flows from operations also partially funded the $24.8 million cash used in financing activities in 2009. The timing of capital expenditures can largely be managed around the seasonal working capital requirements of the Company. The Company believes it has adequate sources of capital to meet short-term liquidity needs through its cash and cash equivalents of $8.7 million at December 31, 2009 and availability under its revolving credit facility, subject to the Company s borrowing base and satisfaction of existing debt covenants. Future operating cash flows are primarily dependent upon the Company s profitability and its ability to manage its working capital requirements, primarily accounts receivable, accounts payable and wage and benefit accruals. The Company was in compliance with its debt covenants at December 31, 2009.

See Risk Factors and Forward-Looking Statements for a more complete discussion of potential risks and uncertainties that could materially affect our future performance or financial condition.

Actual net capital expenditures are summarized in the following table (millions):

	Years Ended		
	2009	**2008**	**2007**
Land and structures:			
Additions	$ 7.7	$ 19.8	$ 42.4
Sales	(1.2)	(0.8)	(4.4)
Revenue equipment, net	(0.8)	0.6	40.9
Technology and other	1.9	6.4	10.2
	7.6	26.0	89.1
Madison Freight acquisition			2.3
Total	$ 7.6	$ 26.0	$ 91.4

In addition to the amounts disclosed in the table above, the Company had an additional $1.0 million in capital expenditures for revenue equipment that was received but not paid for prior to December 31, 2008.

In accordance with U.S. generally accepted accounting principles, our operating leases are not recorded in our consolidated balance sheet; however, the future minimum lease payments are included in the Contractual Obligations table below. See the notes to our audited consolidated financial statements included in this Form 10-K for additional information. In addition to the principal amounts disclosed in the tables below, the Company has interest obligations of approximately $7 million for 2009 and decreasing for each year thereafter, based on borrowings outstanding at December 31, 2009.

Table of Contents

Contractual Obligations

The following tables set forth a summary of our contractual obligations and other commercial commitments as of December 31, 2009 (in millions):

	Payments due by year						
	2010	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**
Contractual obligations:							
Long-term debt obligations:							
Revolving line of credit(1)	$	$	$	$	$	$	$
Long-term debt(1)		13.6	25.7	22.1	7.1	21.5	90.0
Operating leases	13.6	10.3	7.3	5.0	2.7	8.5	47.4
Purchase obligations(2)	1.9						1.9
Total contractual obligations	$ 15.5	$ 23.9	$ 33.0	$ 27.1	$ 9.8	$ 30.0	$ 139.3

(1) See Note 4 to the accompanying audited consolidated financial statements in this Form 10-K.

(2) Includes no commitments for capital expenditures.

	Amount of Commitment Expiration by Year						
	2010	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**
Other commercial commitments:							
Available line of credit(1)	$	$	$	$ 63.0	$	$	$ 63.0
Letters of credit	57.4						57.4
Surety bonds	5.9						5.9
Total commercial commitments	$ 63.3	$	$	$ 63.0	$	$	$ 126.3

(1) Subject to the satisfaction of existing debt covenants.

The Company has unrecognized tax benefits of approximately $2.9 million and accrued interest and penalties of $1.2 million related to the unrecognized tax benefits as of December 31, 2009. The Company cannot reasonably estimate the timing of cash settlement with respective taxing authorities beyond one year and accordingly has not included the amounts within the above contractual cash obligation and other commercial commitment tables.

The Company sold the stock of Jevic Transportation, Inc. (Jevic) on June 30, 2006 and remains a guarantor under indemnity agreements, primarily with certain insurance underwriters with respect to Jevic s self-insured retention (SIR) obligation for workers compensation, bodily injury and property damage and general liability claims against Jevic arising out of occurrences prior to the transaction date. The SIR obligation was estimated to be approximately $15.3 million as of the June 30, 2006 transaction date. In connection with the transaction, Jevic provided collateral in the form of a $15.3 million letter of credit with a third party bank in favor of the Company. The amount of the letter of credit was reduced to $13.2 million following draws by the Company on the letter of credit to fund the SIR portion of settlements of claims against Jevic arising prior to the transaction date. Jevic filed bankruptcy in May 2008 and the Company recorded liabilities for all residual indemnification obligations in claims, insurance and other current liabilities, based on the current estimates of the indemnification obligations as of June 30, 2008. The income statement impact of $0.9 million, net of taxes, was reflected as discontinued operations in the second quarter of 2008.

In September 2008, the Company entered into a settlement agreement with the debtors of Jevic, which was approved by the bankruptcy court, under which the Company assumed Jevic s SIR obligation on the workers compensation, bodily injury and property damage, and general liability claims arising prior to the transaction date in exchange for the draw by the Company of the entire $13.2 million remaining on the Jevic letter of credit and a payment by the Company to the bankruptcy estate of $750,000. In addition, the settlement agreement included a mutual release of claims, except for the Company s responsibility to Jevic for certain outstanding tax liabilities in the states of New York and New Jersey for the periods prior to the transaction date and for any potential fraudulent

Table of Contents

conveyance claims. The income statement impact of the September 2008 settlement of $0.1 million, net of taxes, was reflected as discontinued operations in the third quarter of 2008 and includes a $0.3 million net reduction in the liability for unrecognized tax benefits related to Jevic. In 2009, the Company recorded an adjustment of $1.2 million; net of taxes, to the assumed SIR obligations as a result of reduction in the required reserve for claims incurred but not reported and was reflected as discontinued operations.

Critical Accounting Policies and Estimates

The Company makes estimates and assumptions in preparing the consolidated financial statements that affect reported amounts and disclosures therein. In the opinion of management, the accounting policies that generally have the most significant impact on the financial position and results of operations of the Company include:

Claims and Insurance Accruals. The Company has self-insured retention limits generally ranging from $250,000 to $2.0 million per claim for medical, workers compensation, auto liability, casualty and cargo claims. For the policy year March 2003 through February 2004 only, the Company has an aggregate exposure limited to an additional $2.0 million above its $1.0 million per claim deductible under its auto liability program. The liabilities associated with the risk retained by the Company are estimated in part based on historical experience, third-party actuarial analysis with respect to workers compensation claims, demographics, nature and severity, past experience and other assumptions. The liabilities for self-funded retention are included in claims and insurance reserves based on claims incurred, with liabilities for unsettled claims and claims incurred but not yet reported being actuarially determined with respect to workers compensation claims and with respect to all other liabilities, estimated based on management s evaluation of the nature and severity of individual claims and historical experience. However, these estimated accruals could be significantly affected if the actual costs of the Company differ from these assumptions. A significant number of these claims typically take several years to develop and even longer to ultimately settle. These estimates tend to be reasonably accurate over time; however, assumptions regarding severity of claims, medical cost inflation, as well as specific case facts can create short-term volatility in estimates.

Revenue Recognition and Related Allowances. Revenue is recognized on a percentage-of-completion basis for shipments in transit while expenses are recognized as incurred. In addition, estimates included in the recognition of revenue and accounts receivable include estimates of shipments in transit and estimates of future adjustments to revenue and accounts receivable for billing adjustments and collectability.

Revenue is recognized in a systematic process whereby estimates of shipments in transit are based upon actual shipments picked up, scheduled day of delivery and current trend in average rates charged to customers. Since the cycle for pickup and delivery of shipments is generally 1-3 days, typically less than 5 percent of a total month s revenue is in transit at the end of any month. Estimates for credit losses and billing adjustments are based upon historical experience of credit losses, adjustments processed and trends of collections. Billing adjustments are primarily made for discounts and billing corrections. These estimates are continuously evaluated and updated; however, changes in economic conditions, pricing arrangements and other factors can significantly impact these estimates.

Depreciation and Capitalization of Assets. Under the Company s accounting policy for property and equipment, management establishes appropriate depreciable lives and salvage values for the Company s revenue equipment (tractors and trailers) based on their estimated useful lives and estimated fair values to be received when the equipment is sold or traded in. These estimates are routinely evaluated and updated when circumstances warrant. However, actual depreciation and salvage values could differ from these assumptions based on market conditions and other factors.

Equity-based Incentive Compensation. The Company maintains long-term incentive compensation arrangements in the form of stock options, restricted stock and stock-based awards. The criteria for the stock-based awards are total shareholder return versus a peer group of companies over a three-year performance period. As required by the Compensation-Stock Compensation Topic of FASB ASC 718, the Company accounts for its stock-based awards with the expense amortized over the three-year vesting period based on the Monte Carlo fair value method at the date the stock-based awards are granted. The Company accounts for stock options in accordance with FASB ASC 718 with option expense amortized over the three-year vesting period based on the Black-Scholes-Merton fair value at the date the options are granted. See discussion of adoption of FASB ASC 718 Note 9 to the consolidated financial statements contained herein.

These accounting policies, and others, are described in further detail in the notes to our audited consolidated financial statements included in this Form 10-K.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the consolidated financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the consolidated financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

The Company is exposed to a variety of market risks, including the effects of interest rates and fuel prices. The detail of the Company s debt structure is more fully described in the notes to the consolidated financial statements. To help mitigate our risk to rising fuel prices, the Company has implemented a fuel surcharge program. This program is well established within the industry and customer acceptance of fuel surcharges remains high. Since the amount of fuel surcharge is based on average national diesel fuel prices and is reset weekly, exposure of the Company to fuel price volatility is significantly reduced. However, the fuel surcharge may not fully offset fuel price fluctuations during periods of rapid increases or decreases in the price of fuel and is also subject to overall competitive pricing negotiations.

The following table provides information about the Company s third-party financial instruments as of December 31, 2009 with comparative information for December 31, 2008. The table presents principal cash flows (in millions) and related weighted average interest rates by contractual maturity dates. The fair value of the fixed rate debt (in millions) was estimated based upon the borrowing rates currently available to the Company for debt with similar terms and remaining maturities.

			Expected Maturity Date				2009		2008	
	2010	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**	**Fair Value**	**Total**	**Fair Value**
Fixed rate debt	$	$ 13.6	$ 25.7	$ 22.1	$ 7.1	$ 21.5	$ 90.0	$ 88.8	$ 136.4	$ 132.9
Average interest rate	7.38%	7.13%	6.93%	6.98%	6.78%	6.16%				
Variable rate debt										
Average interest rate										

Table of Contents

Item 8. ***Financial Statements and Supplementary Data***

FINANCIAL STATEMENTS

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Saia, Inc.:

We have audited the accompanying consolidated balance sheets of Saia, Inc. and subsidiary as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saia, Inc. and subsidiary as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 11 to the Consolidated Financial Statements, the Company adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, included in ASC subtopic 740-10, Income Taxes-Overall, effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Saia, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2010 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
February 25, 2010

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Saia, Inc.:

We have audited Saia, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Saia, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting as set forth in Item 9A of Saia, Inc. s Annual Report on Form 10-K for the year ended December 31, 2009. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Saia, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Saia, Inc. and subsidiary as of December 31, 2009 and 2